

The Delta

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The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12)

**State & Federal
Pumping Plants**

John Moynier, Dewberry

12/2/2013

California's Bay-Delta

Biggert-Waters Reform Act of 2012 (BW-12)

Editorial: Congress must find a balance on federal flood insurance fix

By the Editorial Board

Published: Sunday, Oct. 27, 2013 - 12:00 am

Steep hike in flood insurance rates strikes rural areas

By Matt Weiser

mweiser@sacbee.com

Published: Saturday, Nov. 16, 2013 - 12:00 am

Last Modified: Saturday, Nov. 16, 2013 - 9:46 am

Bipartisan Deal Reached to Delay Flood Insurance Premium Hikes: Waters

Key House and Senate members have reached a bipartisan deal to delay changes to the federal flood insurance program that are raising premiums for many homeowners. The bill would require regulators to address affordability of the coverage before implementing rate hikes.

Congressman Garamendi Advocates for Affordable Flood Insurance at Bipartisan Congressional Meeting

For Immediate Release

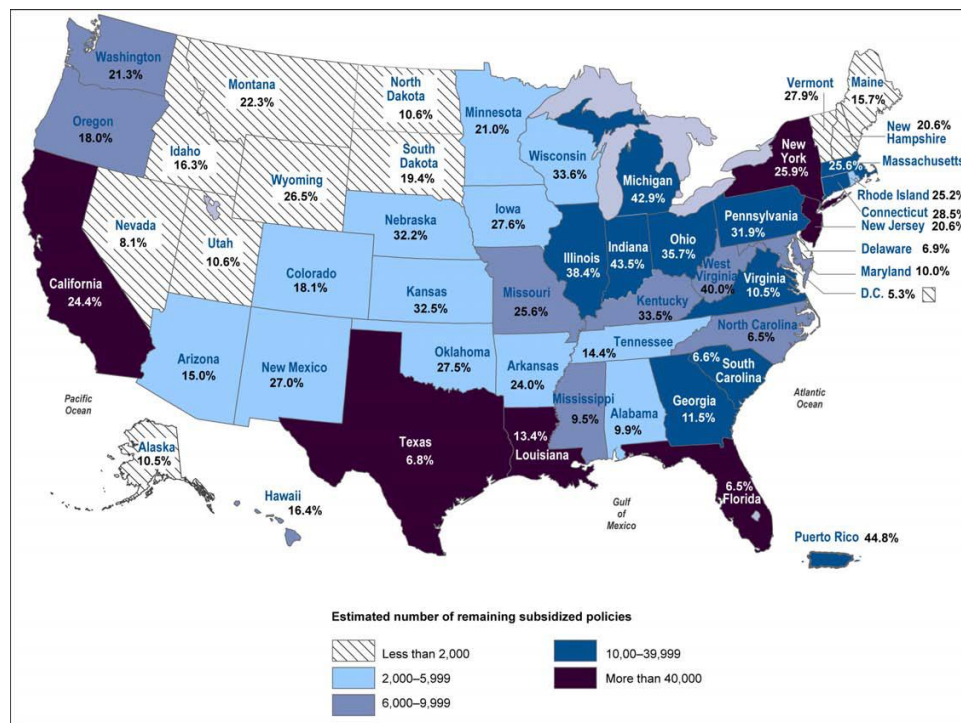
October 29, 2013

Bipartisan Coalition of Nearly 60 Members of Congress Introduce legislation to Address Flood Insurance Rate Increases

Biggert-Waters Reform Act of 2012 (BW-12)

“Congress determined that further reforms were needed to make sure the NFIP was **financially sustainable**. To execute these reforms, Congress passed the Biggert-Waters Act [BW 12]. The law required **changes to all of the major components** of the program, including flood insurance, flood hazard mapping, grants and the management of floodplains. Many of the changes are designed to strengthen the **fiscal soundness** of the NFIP by ensuring that flood insurance rates **more accurately reflect the real risk of flooding**. The changes are being phased in over time, beginning this year.”

- FEMA Administrator Craig Fugate: Testimony before Congress on 9/17/13



Sources: GAO analysis of FEMA data; Map Resources (map).

Roughly **20%** of the 5.5 million flood insurance policies nationwide are subsidized

Biggert-Waters Reform Act of 2012 (BW-12)

- NFIP was **\$18 billion** in debt after Katrina
- NFIP Reform effort in 2011: goal to make the **NFIP financially stable**
- Outcome: move towards actuarial rates to **reflect true flood risk**
- **Hurricane Sandy** hit in October 2012
- NFIP now over **\$30 billion** in debt
- BW 12 will trigger **rate increases** for certain properties in **SFHAs**
- Key sections: **205** & **207** (others still important, such as **230**)



Image of Pre-FIRM and Post FIRM homes in coastal New Jersey after Hurricane Sandy

Biggert-Waters Reform Act of 2012 (BW-12)

Pre-FIRM Building:

Built before the community's first Flood Insurance Rate Map became effective and not been substantially damaged or improved

Subsidized Rates:

Rates for pre-FIRM buildings that are in Zone D or in Zones A and V that are not rated with an elevation certificate.***

Full-risk Rates:

Rates for buildings that are elevation-rated and reflect the true flood risk.

Non-primary residence:

A building that will be lived in for less than 80% of the policy year by the policyholder.

*Except certain zones like A99 & AR **Except certain zones like unnumbered V

Biggert-Waters Reform Act of 2012 (BW-12)

Section 100205

Impacts pre-FIRM buildings:

- Non-Primary Residences
- Businesses
- Severe/Multiple Losses
- Newly purchased building or policy, lapsed policy

Implementation began
January 1, 2013

Section 100207

Impacts map change rating options

- Grandfathering
- Preferred Risk Policy Eligibility Extension

Not currently implemented –
targeted for late 2014

Biggert-Waters Reform Act of 2012 (BW-12)

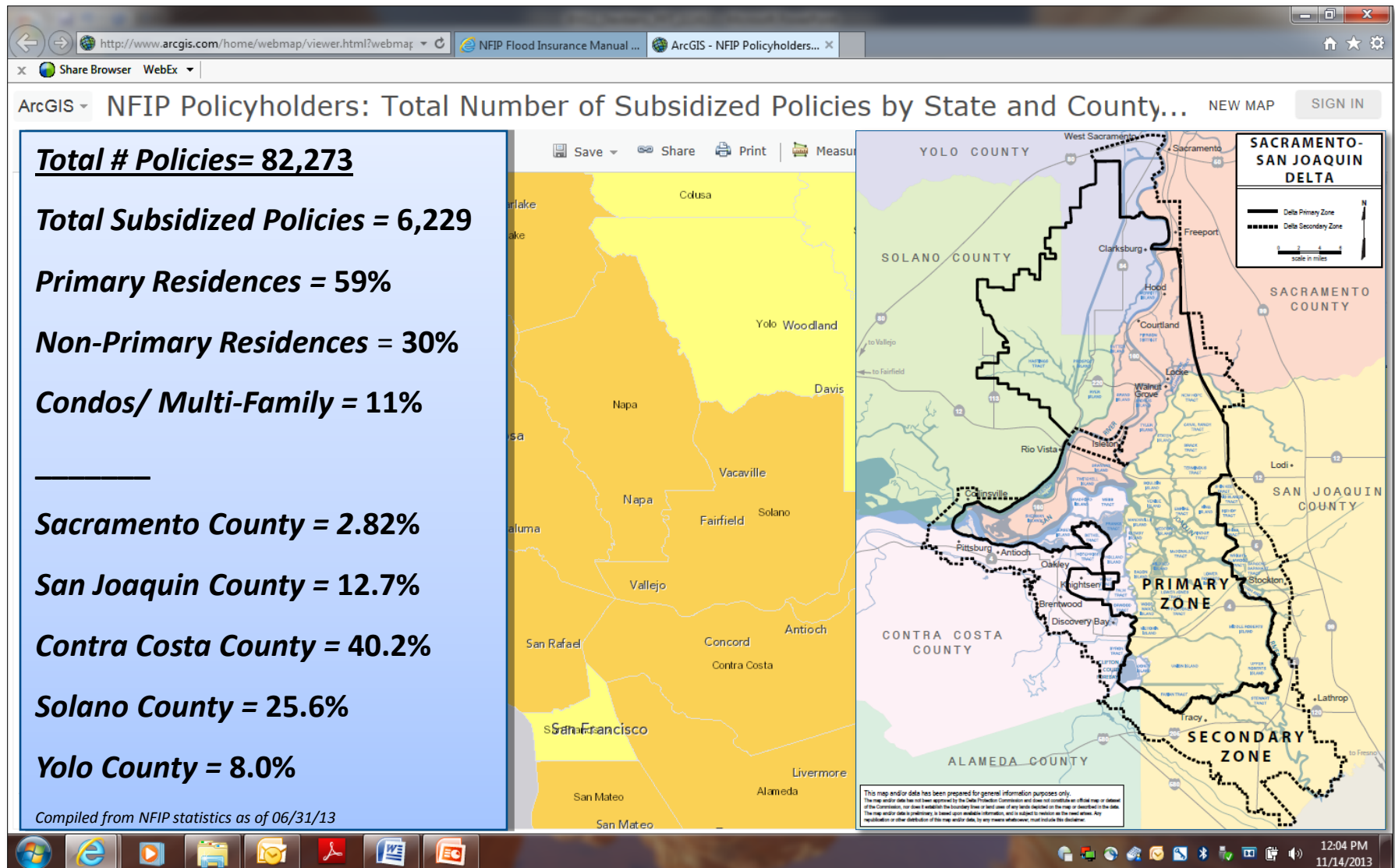
- **Subsidized rates to be *phased out***
 - Non-primary residences
 - Business properties
 - Severe repetitive loss properties (1-4 family residences), and properties where claims payments exceed fair market value

- **New policies to be *issued at full-risk rates***
 - After the sale/purchase of a property
 - After a lapse in insurance coverage
 - After substantial damage/improvement
 - For properties uninsured as of BW-12 enactment

Note: Post-FIRM buildings and buildings in Zone B, C, X are unaffected

NFIP Interactive Website

(<http://www.arcgis.com/home/webmap/viewer.html?webmap=e0208985e8e64d44bca999325254ff5b>)



BW-12 Quick Reference Guide

(Subsidized Pre-FIRM Buildings in SFHAs)

BW-12 QUICK REFERENCE GUIDE



FEMA



	Pre-FIRM Primary or Non-primary Residence or Business	Pre-FIRM Residence or Business With a Lapsed Policy	Pre-FIRM Primary Residence	Pre-FIRM Non-primary Residence	Pre-FIRM Severe Repetitive Loss or Cumulative Payments Exceeding Fair Market Value	Pre-FIRM Business**
Policy Effective Date	Policy first in effect on or after July 6, 2012*	Policy reinstated on or after October 4, 2012	Policy in effect before July 6, 2012	Policy in effect before July 6, 2012	Policy in effect before July 6, 2012	Policy in effect before July 6, 2012
Premium Change (when and how)	October 1, 2013: <ul style="list-style-type: none"> Immediate shift to full-risk rates Tentative rates available for 1 year Elevation Certificate required 	October 1, 2013: <ul style="list-style-type: none"> Immediate shift to full-risk rate Tentative rates available for 1 year Elevation Certificate required 	October 1, 2013: Average increases of 16-17 percent increases within the 20 percent cap authorized by law	January 1, 2013: <ul style="list-style-type: none"> 25 percent premium increase at renewal Elevation Certificate needed to determine full-risk rate 	October 1, 2013: <ul style="list-style-type: none"> 25 percent premium increase at renewal Elevation Certificate needed to determine full-risk rate 	October 1, 2013: <ul style="list-style-type: none"> 25 percent premium increase at renewal Elevation Certificate needed to determine full-risk rate
	Future: Increases based on actuarial analysis and the Reserve Fund	Future: Increases based on actuarial analysis and the Reserve Fund	Future: Increases based on actuarial analysis and the Reserve Fund	Future: 25 percent annual increases until full-risk rates are reached	Future: 25 percent annual increases until full-risk rates are reached	Future: 25 percent annual increase until full-risk rates are reached
All Pre-FIRM Buildings						
Map Changes	FEMA is still analyzing the impacts section 100207 of BW-12 will have on rates other than pre-FIRM subsidized premiums upon the effective date of a new, revised, or updated FIRM. For now, grandfathering and the Preferred Risk Policy Eligibility Extension remain cost-saving options for policyholders when maps are updated.					

* Assignment of an NFIP policy is allowed. However, the assignment of an NFIP policy from a seller to a buyer occurring on or after July 6, 2012, could require re-rating and an Elevation Certificate for the buyer if it is currently rated with a subsidized rate (e.g., not a standard Zone X or PRP rate).

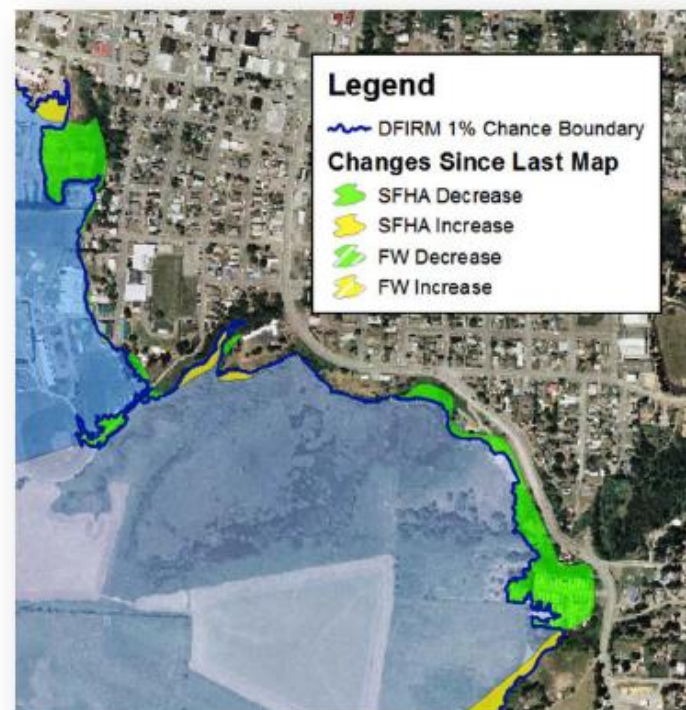
** BW-12 calls for increases to business properties. Businesses are included in a larger group of non-residential properties. Consequently, all subsidized pre-FIRM policies for non-residential properties will see the same increase upon purchase or renewal on or after October 1, 2013.

Biggert-Waters Reform Act of 2012 (BW-12)

Per Section 100207, Grandfathering will be phased out

- Phase-in to full-risk rates at 20% a year for 5 years
- Implementation anticipated in late 2014, at the earliest
- PRP Eligibility Extension (PRP-EE) will most likely be phased out.

Note: PRP-EE rates went up 19% starting October 1, 2013



Biggert-Waters Reform Act of 2012 (BW-12)

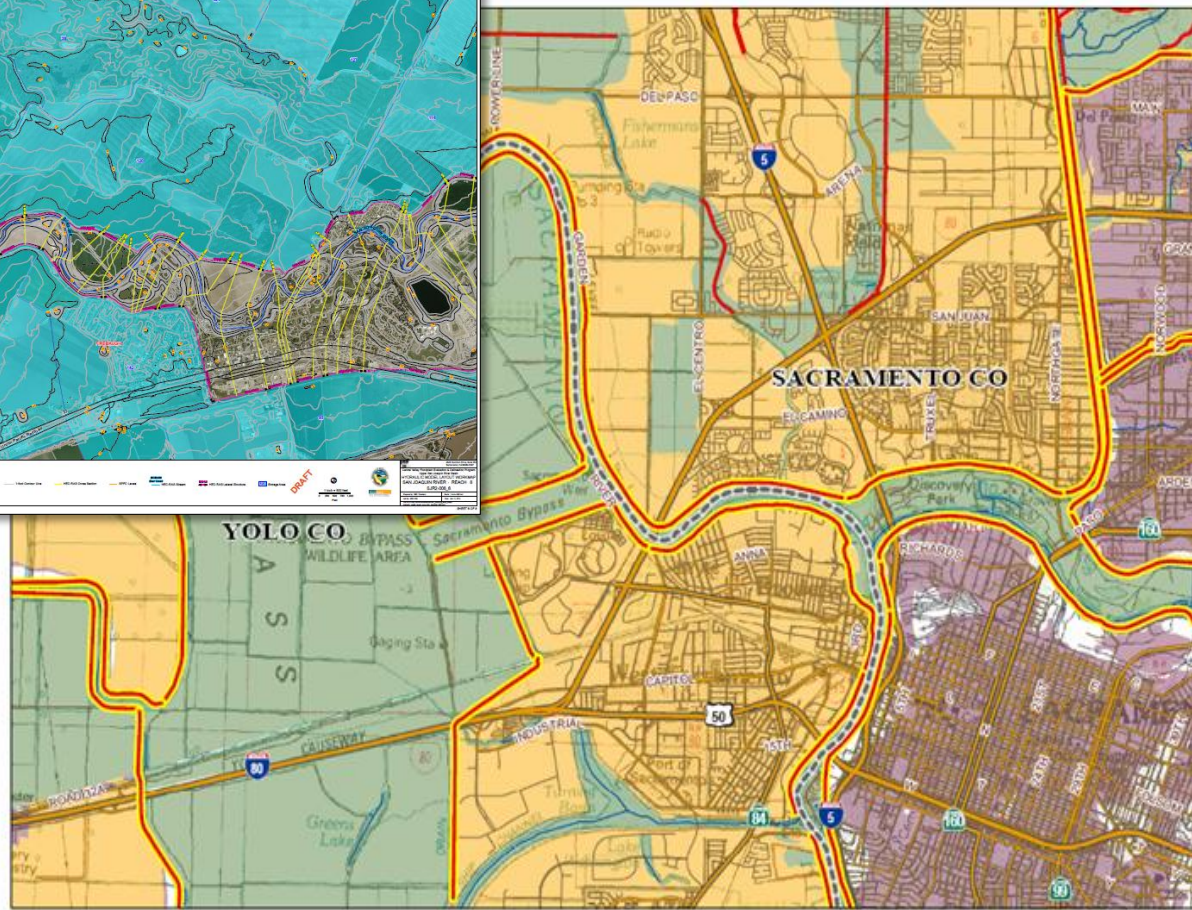
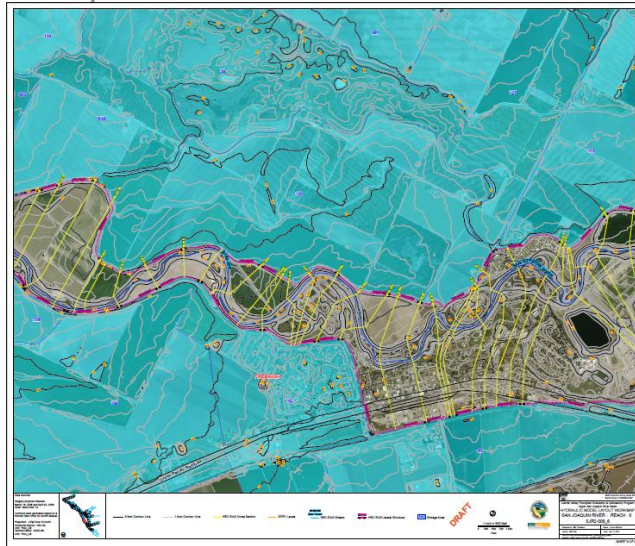


General Plan and Zoning

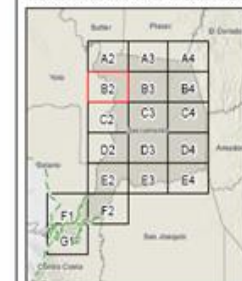
- Requires each city and county within Sacramento-San Joaquin Valley to amend its
 - General plan to include information in CVFPP within 24 months of adoption of CVFPP
 - Zoning ordinance to be consistent with revised general plan within 36 months of adopting CVFPP (or within 12 months after general plan amendment)

Biggert-Waters Reform Act of 2012 (BW-12)

Preliminary 100- and 200-Year Floodplains Based Upon Best Available Data



- LEGEND**
- Project Levee Centerline
 - Non-Project Levee Centerline
 - River / Stream Centerline
 - Sacramento-San Joaquin Valley Boundary
 - County Boundary
 - 100-Year Composite Floodplains
 - FEMA Effective Floodplains
 - Other Available Floodplain Data
 - 200-Year Composite Floodplains
 - Available Floodplain Data
- In every case, the 200-year Composite Floodplains incorporate the area of the 100-year Composite Floodplains.

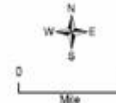


State of California
Department of Water Resources

October 15, 2008

PBSJ

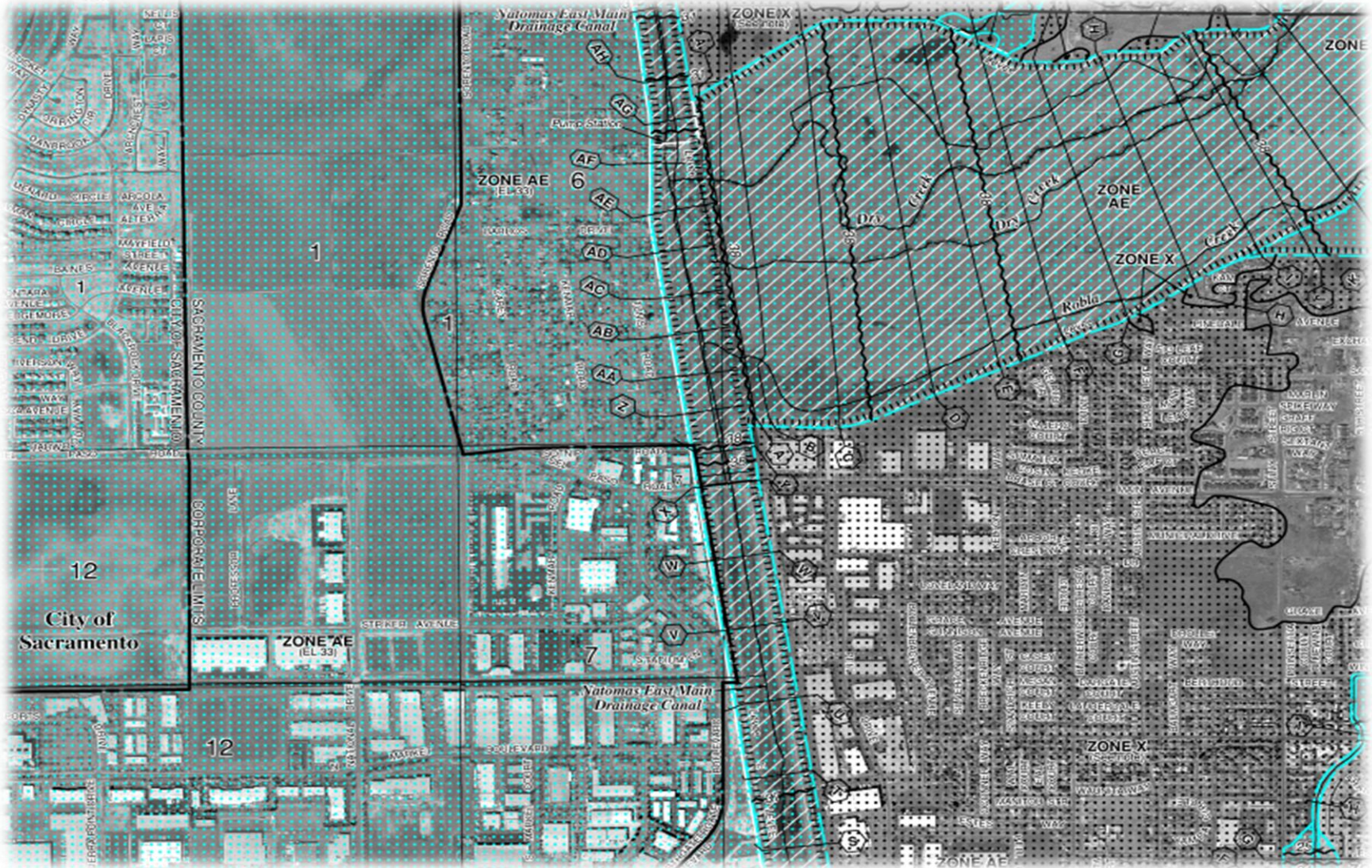
PAGE: B2
SACRAMENTO COUNTY



PLEASE REFER TO THE INTRODUCTION PAGES OF THIS MAP SET FOR LEGEND DEFINITIONS AND LIMITATIONS ON THE USE OF THE FLOODPLAIN INFORMATION SHOWN.

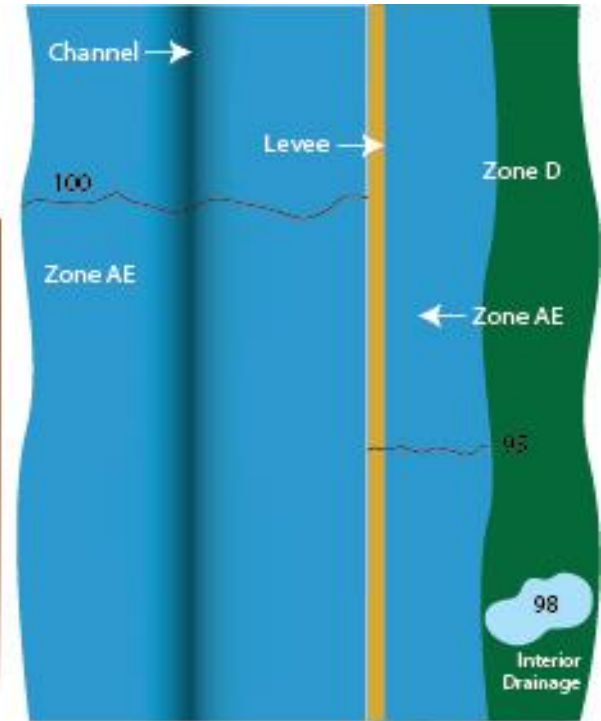
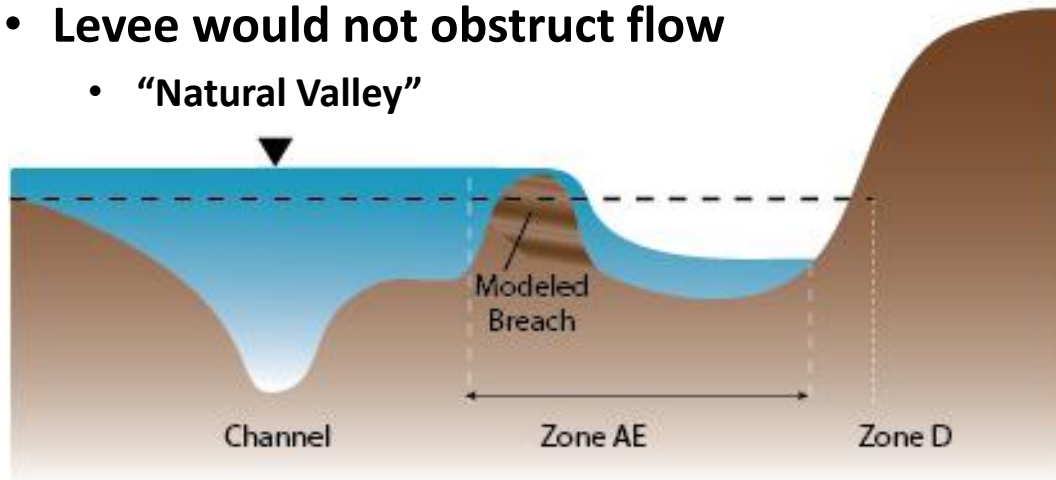


Biggert-Waters Reform Act of 2012 (BW-12)



Levee Analysis and Mapping Procedures

- Levee meets 65.10 requirements
 - “Sound Reach”
- Levee has inadequate freeboard
 - “Freeboard Deficient”
- Levee has inadequate height
 - “Overtopping”
- Levee has structural deficiencies
 - “structural-based inundation”
- Levee would not obstruct flow
 - “Natural Valley”



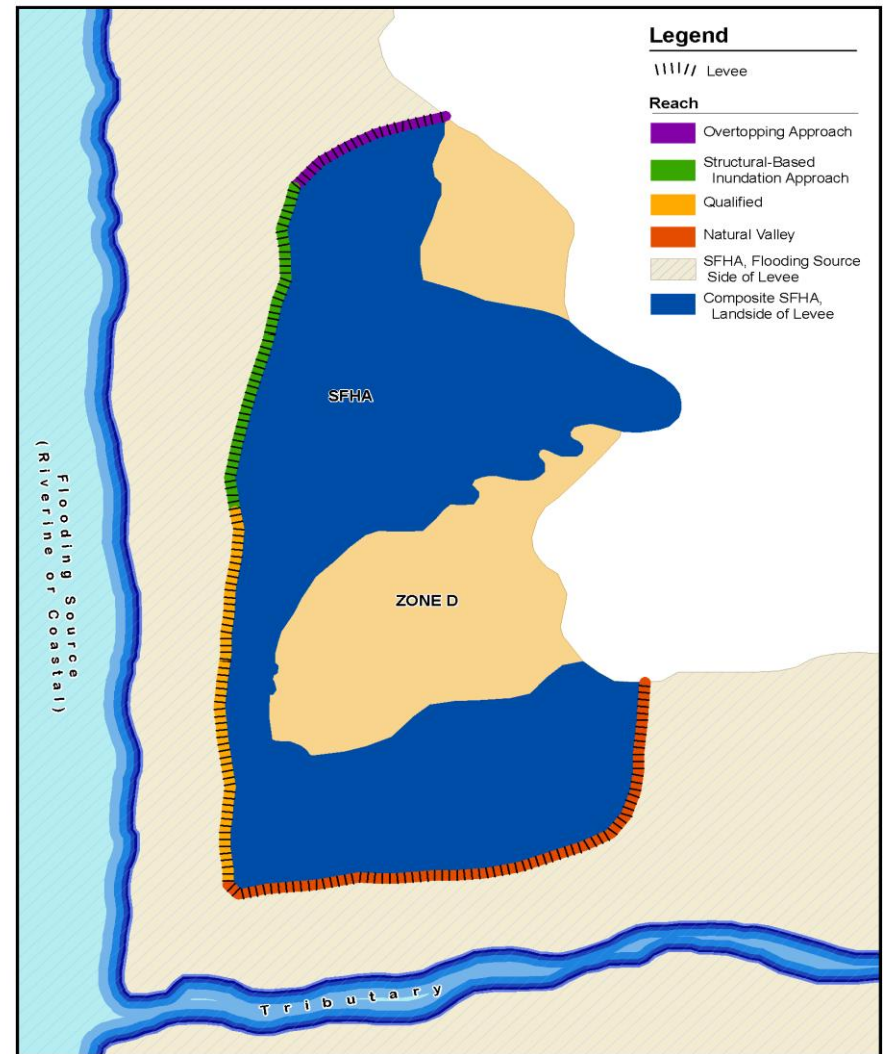
Structural Integrity Inundation Analysis

Levee Analysis and Mapping Procedures

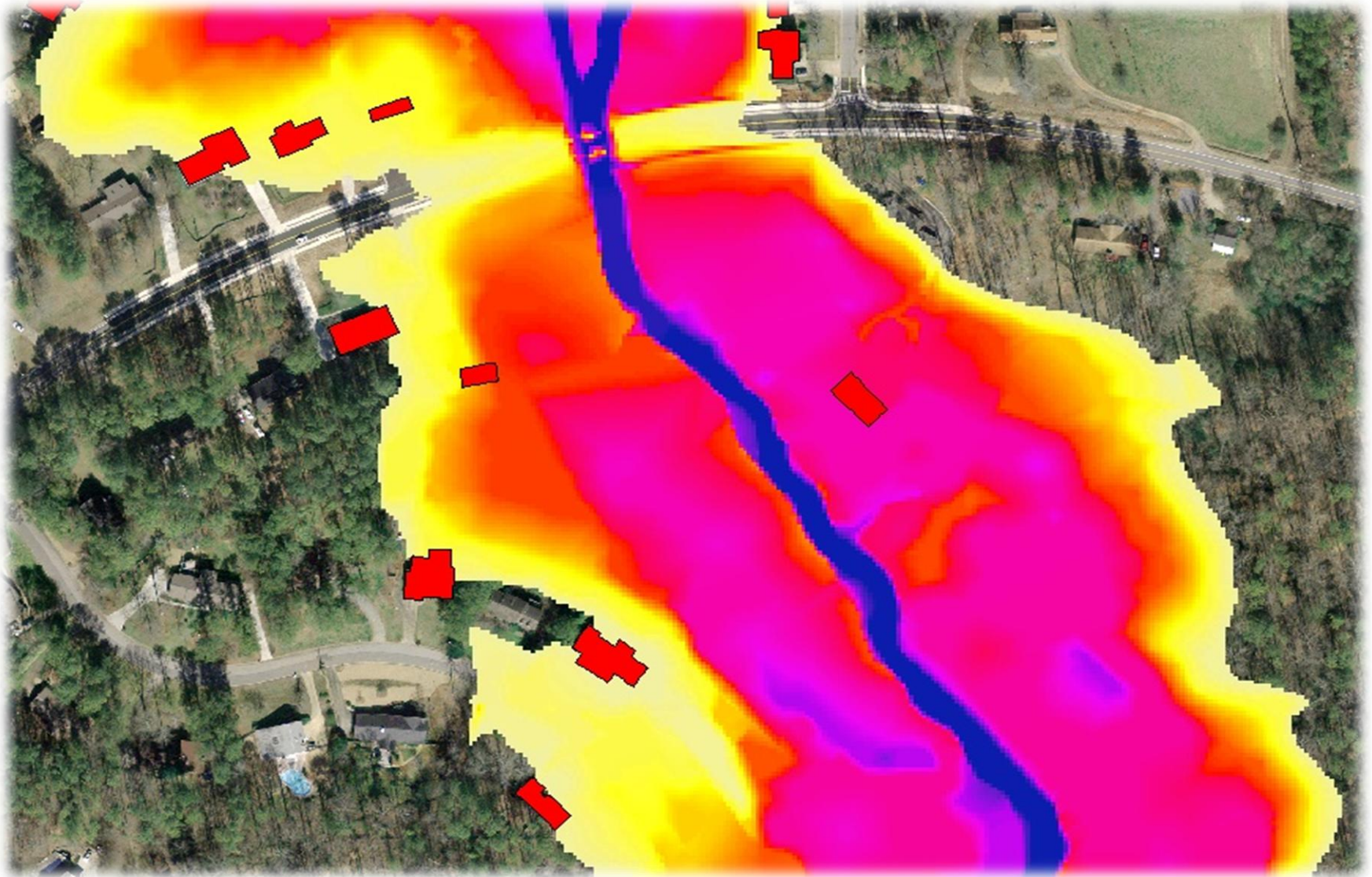
Once each reach is analyzed and mapped, a composite floodplain is created.

Zone D

- Defined as “undetermined, but possible, flood hazards”
- No federal mandatory purchase requirement
- Insurance rates are similar to a Zone A
- Complicated for an individual to get a reduced insurance rate (LOMA is not an option)

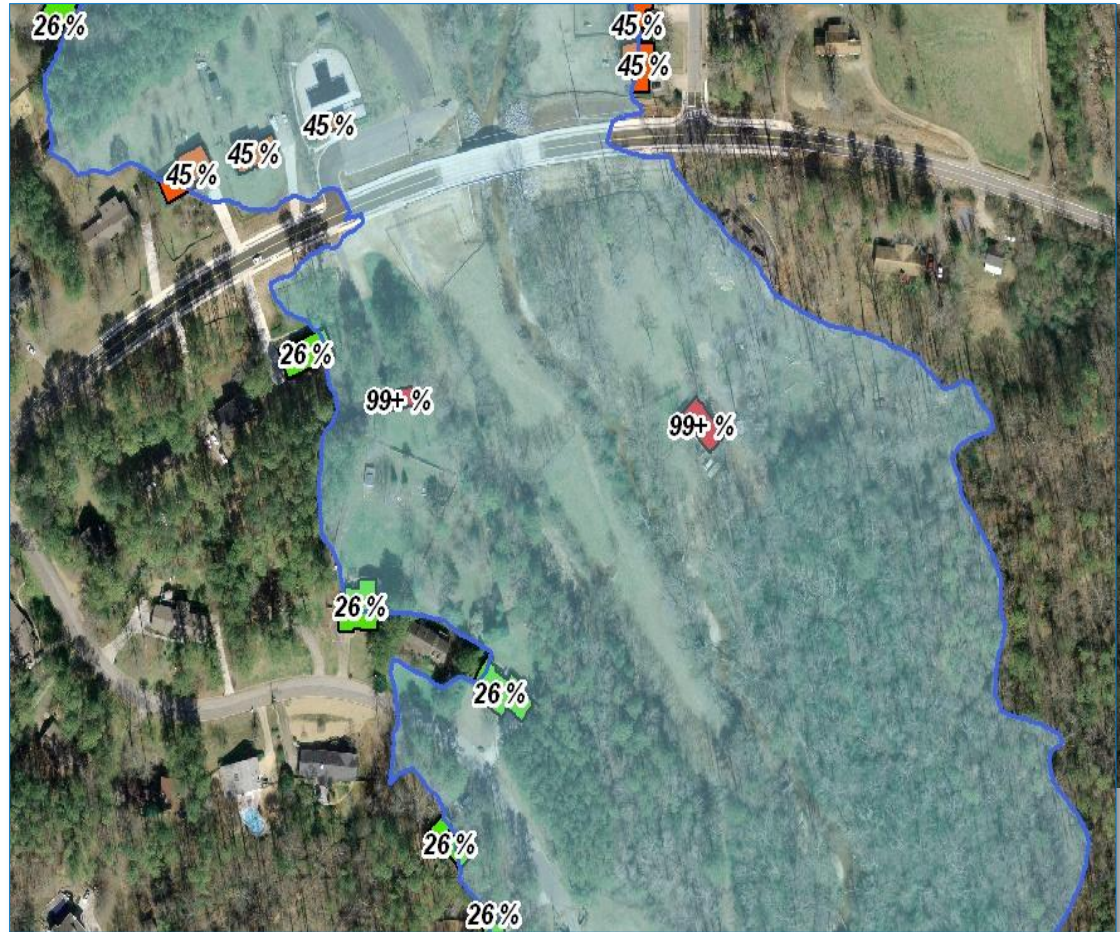


Risk MAP and LAMP Changes



Factors Affecting Phase Out Triggers

- Insurance rates
- Phase-in period
- Flood zone delineation
- Depth of flooding
- Date of construction
- Amount of insurance
- Amount of deductible
- Building type
- CRS class
- Building elevation vs. BFE

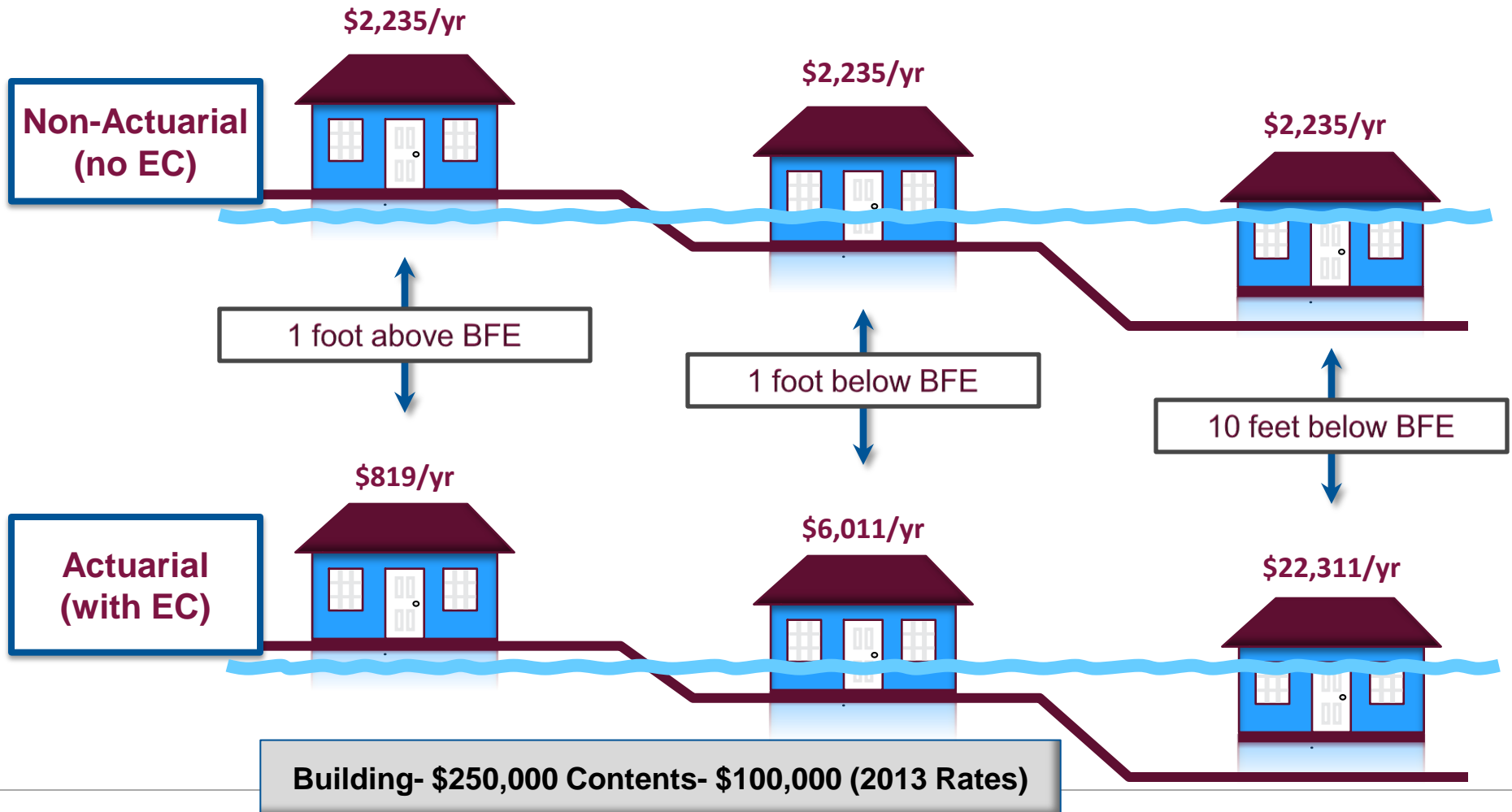


Elevation Certificate is Key

**Flood Risk Expressed as Probability of Being
Flooded Over the Life of a 30-Year Mortgage**

Premium Impacts Over Time

Sample Rate Comparisons (Source: FEMA's NFIP Flood Insurance Manual, revised as of October 1, 2013)



Biggert-Waters Flood Insurance Reform Act of 2012

Affordability vs. Sustainability vs. Equity vs. Communication of “True Risk”

BFE-1000

BFE-1000

Home Information

First Floor Elevation (ft)	996
Base Flood Elevation (ft)	1000
Delta (ft)	-4
Year Built	1957
Initial FIRM Date	1978
Insurance Coverage	\$250,000
Subsidized - PreFIRM Rate Per Year	\$3,000
Post BW-12 Actuarial Rate Per Year	\$9,500

Home Information

First Floor Elevation (ft)	998
Base Flood Elevation (ft)	1000
Delta (ft)	-2
Year Built	1975
Initial FIRM Date	1978
Insurance Coverage	\$250,000
Subsidized - PreFIRM Rate Per Year	\$3,000
Post BW-12 Actuarial Rate Per Year	\$6,000

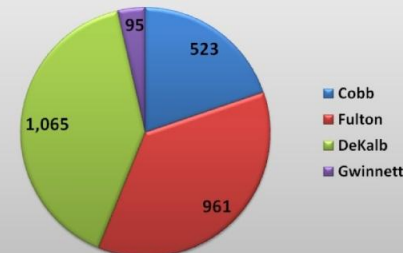
Home Information

First Floor Elevation (ft)	1004
Base Flood Elevation (ft)	1000
Delta (ft)	+4
Year Built	2010
Initial FIRM Date	1978
Insurance Coverage	\$250,000
Subsidized - PreFIRM Rate Per Year	\$391
Post BW-12 Actuarial Rate Per Year	\$391

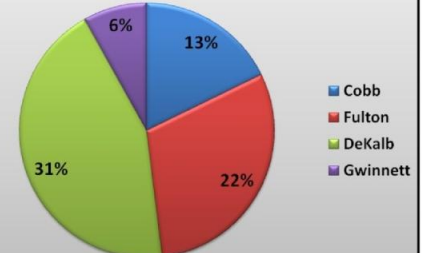


Dewberry®

Total Policies Affected (Atlanta Area)



Percent of Policies Affected (Atlanta Area)



*Disclaimer - The graphic shown above is intended as an illustration of how the Biggert-Waters Insurance Reform Act of 2012 can affect certain homes. The rates provided are intended as illustrative examples and do not represent actual rates. Please visit www.floodsmart.gov for actual rates for specific homes.  FloodSmart.gov

Potential Challenges Created

- **Decreased Pool of Willing Real Estate Buyers**
- **Property Value Depreciation**
- **Increased Foreclosure Risk**
- **Increased Vacation Rental costs**
- **Increased costs for agriculture**
- **Reduced Tax Base**
- **Overall Community Economic and Political Pressure**

Example Messaging from FEMA

■ Communities

- Join CRS/Increase CRS Rating
- Be aware of potential mitigation grants
- Provide technical advice
 - Elevation Certificates
 - Building/Rebuilding to reduce flood risk



www.FEMA.gov/BW12

Homeowner Flood Insurance Affordability Act of 2013 (HFIA)



Hot Off
The
Press!!!

“Today we have reached bipartisan, bicameral agreement on the best way to repair the National Flood Insurance Program. This legislation would ensure FEMA undertakes program changes in a way that will not cause harm, by delaying implementation until it provides Congress the facts on how rate increases will affect homeowners. It will also give us the information we need to go through the program piece-by-piece and fix any outstanding affordability issues.”

—Congresswoman Maxine Waters
Press Release on 10/29/13

CHANGES TO FLOOD INSURANCE RATES >>

WHAT THEY ARE AND HOW TO EXPLAIN THEM



FEMA



The National Flood Insurance Program is changing. The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) reauthorized the National Flood Insurance Program (NFIP) and outlined reforms to make the program more sustainable, including the removal of long-standing subsidies. The first phase of rate increases (Section 100205) affects many policyholders who own homes built before the community adopted its first Flood Insurance Rate Map (FIRM). Many of these policyholders historically have paid subsidized rates that do not reflect the property's true risk.

WHO PAYS SUBSIDIZED RATES?

Roughly 20 percent of all NFIP policies are calculated using subsidized rates. Most of those policies are pre-FIRM properties—buildings constructed before the community adopted its first FIRM—in high-risk areas (Zones A and V) and undetermined-risk areas (Zone D). Certain pre-FIRM subsidies are being phased out and eliminated by BW-12.

HOW AND WHEN WILL INCREASES TAKE PLACE?

Beginning October 1, 2013, pre-FIRM subsidized rates change as outlined below.

Premiums are increasing 25 percent each year until reaching full-risk rates for:

- Severe Repetitive Loss properties
- Properties with cumulative paid flood losses exceeding fair market value
- Non-primary residences (increase began January 1, 2013)
- Businesses/non-residential buildings

Policies are written or renewed at full-risk rates for:

- Property purchased on or after July 6, 2012
- New policies effective on or after July 6, 2012
- Lapsed policies reinstated on or after October 4, 2012

Owners of primary residences that do not fit any of the categories above can keep their subsidized rates as long as they own the property, but full-risk rates will apply for the next owner.

FROM SUBSIDIZED RATES TO ELEVATION RATING

As subsidies are removed, Elevation Certificates (ECs) ultimately will be necessary for all pre-FIRM property owners in high-risk areas. Policyholders should get one as soon as they can to know their full risk rate and consider mitigation options. In some cases, the full-risk rates calculated using the EC could be lower than the pre-FIRM subsidized rates. If so, the policy can be adjusted to reflect the lower price. If the full-risk rate is higher, you can continue to use the subsidized rates. The required timing for obtaining an EC will vary.

- **Required for next purchase/renewal:** Policyholders moving directly to full-risk rates as listed above.
- **Recommended for next renewal:** Policyholders beginning 25 percent annual increases. The EC is necessary to determine when the increases will reach the full-risk rate.
- **Recommended in the future:** Policyholders keeping their subsidy. The EC is necessary to calculate the full-risk rate the current policyholder will pay if losing a subsidy or the rate a new owner will pay if the building is sold.



Summary

- **BW 12 will change flood insurance rates dramatically for some properties**
- **Law designed to remove subsidizes and move rates for all properties to accurately reflect “true risk”**
- **Some subsidy reduction has already begun**
- **Full implementation of BW 12 will take years**
- **Understanding its impact is important**
- **Adaptation will be needed**
- **New legislation could delay or change impacts**



Questions?

